

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0185-02
Bill No.: SB 13
Subject: Natural Resources Department; Waste - Solid
Type: Original
Date: January 14, 2013

Bill Summary: This proposal eliminates solid waste management districts and reduces landfill tipping fees by the amount previously used on district overhead and administration.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2014 | FY 2015 | FY 2016 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2014 | FY 2015 | FY 2016 |
| Solid Waste Management * | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

* Savings and losses exceed \$2 million but net to \$0.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2014 | FY 2015 | FY 2016 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2014 | FY 2015 | FY 2016 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2014 | FY 2015 | FY 2016 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** state this proposal returns the grant program to the department. This will result in a minimal fiscal impact to DNR as the Solid Waste Management Districts are eliminated. The proposal allows the department to directly fund grants to cities, counties, or persons or entities providing solid waste management, waste reduction, recycling and related services.

The proposal reduces the tonnage fees collected by sanitary landfills and transfer stations transporting solid waste out of the state from \$2.11 per ton to \$1.71 per ton and the tonnage fees collected by construction and demolition landfills from \$1.40 per ton to \$1.20 per ton effective October 1, 2013. Actual tonnage rates are greater than the rates stated in the legislation due to Consumer Price Index (CPI) increases since October 1, 1990. DNR estimates this will be a reduction in fees collected of \$2,106,416.

The proposal also increases the percentage (from 39% to 57%) of tonnage fee revenue to be retained by DNR for solid waste management functions and activities. An adjustment amount consistent with the need to fund the operating costs of the department between October 1, 2014 and October 1, 2017 is provided, as well.

Based on tonnage and tonnage fee collections paid to DNR by permitted facilities during 2012, it is estimated the department will receive 57% of tonnage fee revenues after the \$800,000 allocation to Environmental Improvement and Energy Resources Authority and in the future, any CPI adjustment.

There are currently 20 Waste Management Districts (WMD) within the state. Each WMD has one (1) employee. There is no impact to the state for the reduction in FTE due to the elimination of the WMDs as these personnel are not employees of the state. DNR Solid Waste Management Program staff currently responsible for reviewing district grant application submissions will have their duties modified and will be reassigned to review grants from cities and counties. Therefore, DNR is not requesting additional FTE.

DNR states the proposal will result in no net fiscal impact to the state's Solid Waste Management Fund. The approximately \$2.1 million reduction in fees is equal to the administrative expenditures saved as a result of eliminating the Solid Waste Management Districts.

ASSUMPTION (continued)

Officials from the **North Missouri Solid Waste Management District - Region B** state the proposal will result in an annual decrease of \$47,500 in funding and would, thereby, end the operations of the district.

Officials from the **St. Louis-Jefferson Solid Waste Management District (District)** state the proposal would result in the loss of local funds to the District of \$5,435,000 annually

Officials from the **Mid-America Regional Council (MARC) Solid Waste Management District (District)** state District operation fund losses are based on District 2013 operations request and are assumed constant over the next three (3) years. Dedicated local grant funds are allocated to waste reduction and recycling programs in the region and are assumed to be constant over the next three (3) years as well.

Under the proposal, all funds would be centralized within DNR, with no guaranteed allocation to the Kansas City metropolitan area. If the MARC District is eliminated, no local contributions or match funds would be received. The MARC District estimates this proposal would result in an annual loss of local funds of \$1,183,400. These funds are allocated to the solid waste district from the State Solid Waste Management Fund. This will eliminate the MARC District.

Officials from the **Ozark Rivers Solid Waste Management District (District K)** estimate an annual loss of \$275,000, based on the 2013 allocation. District K retains \$117,000 of that amount. Of the \$117,000, \$37,000 is spent on general day-to-day district operations and \$30,000 is spent on administration (management and oversight) of district grant funds. The balance is spent on implementation of district recycling and education programs (approximately \$50,000). If funds are pulled back to DNR and cities and counties are required to compete for grants, it is possible that cities and counties in District K will not receive grants and, therefore, lose direct access to those grant dollars and not be able to continue local programs.

Officials from the **Region D Recycling & Waste Management District** responded to the fiscal note request but did not provide a statement of the fiscal impact the proposal would have on their district.

Oversight notes the proposed reduction in local government funds as presented by the Waste Management Districts (WMDs) includes the administrative costs of the WMDs as well as the grant funds distributed to the local governments. DNR personnel explained that the legislation does not eliminate or reduce the grant funds available to the local governments for waste management projects. Therefore, local governments will experience no change in the amount of grant funds issued by DNR.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (9 Mo.) | FY 2014 | FY 2015 |
|--|----------------------|----------------------|----------------------|
| SOLID WASTE MANAGEMENT FUND | | | |
| <u>Savings - DNR</u> | | | |
| Reduction in administrative costs from elimination of Waste Management Districts (\$260.335) | \$2,106,416 | \$2,106,416 | \$2,106,416 |
| <u>Loss - DNR</u> | | | |
| Reduction in waste management tonnage fee rates (\$260.330) | <u>(\$2,106,416)</u> | <u>(\$2,106,416)</u> | <u>(\$2,106,416)</u> |
| ESTIMATED NET EFFECT ON SOLID WASTE MANAGEMENT FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (9 Mo.) | FY 2014 | FY 2015 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Some solid waste management districts have administrative services contracts with small businesses. As a result of the proposed legislation, there would no longer be a need to contract for these services and local small businesses may see a reduction in income.

Some sanitary landfills and transfer stations collecting tonnage fees are small businesses. Since 260.230, RSMo, became effective, tonnage rate fees have increased from \$1.50 per ton to \$2.11 per ton at landfills and transfer stations and from \$1.00 to \$1.40 per ton at demolition landfills. The proposed legislation rolls back the tonnage fees for sanitary landfills, transfer stations and demolition landfills. These small businesses will see a reduction of approximately 19% in the amount of collection fees they can retain.

In 2011, approximately 2.3 million tons of solid waste was transported out of the state of Missouri for disposal in another state. With the reduction in tonnage fee rates, some landfills that are small businesses may see an increase in landfill tipping fees from increased disposal within Missouri.

FISCAL DESCRIPTION

This proposal eliminates solid waste management districts and the Solid Waste Management Advisory Committee. Money from the Solid Waste Management Fund that was previously allocated for grants to solid waste management districts will be allocated for grants to cities, counties and providers of solid waste management, waste reduction, recycling or related services. The percentage of money allocated for grants is reduced by the amount previously used for overhead and administration costs of solid waste management districts.

Currently, a tipping fee is collected per ton accepted by landfills and transfer stations and deposited into the Solid Waste Management Fund. This proposal reduces the fee by the amount previously allocated for solid waste management districts' overhead and administration costs. The fee for solid waste sanitary landfills and transfer stations is reduced from \$2.11 per ton accepted to \$1.71 per ton. The fee for solid waste demolition landfills is reduced from \$1.41 per ton accepted to \$1.20 per ton. Fee rate changes are effective October 1, 2014.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources
North Missouri Solid Waste Management District
Region D Recycling & Waste Management District
Mid-America Regional Council Solid Waste Management District
St. Louis-Jefferson Solid Waste Management District
Ozark Rivers Solid Waste Management District



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